

WCO Sub-Regional Train-the-Trainer Workshop on Customs Valuation

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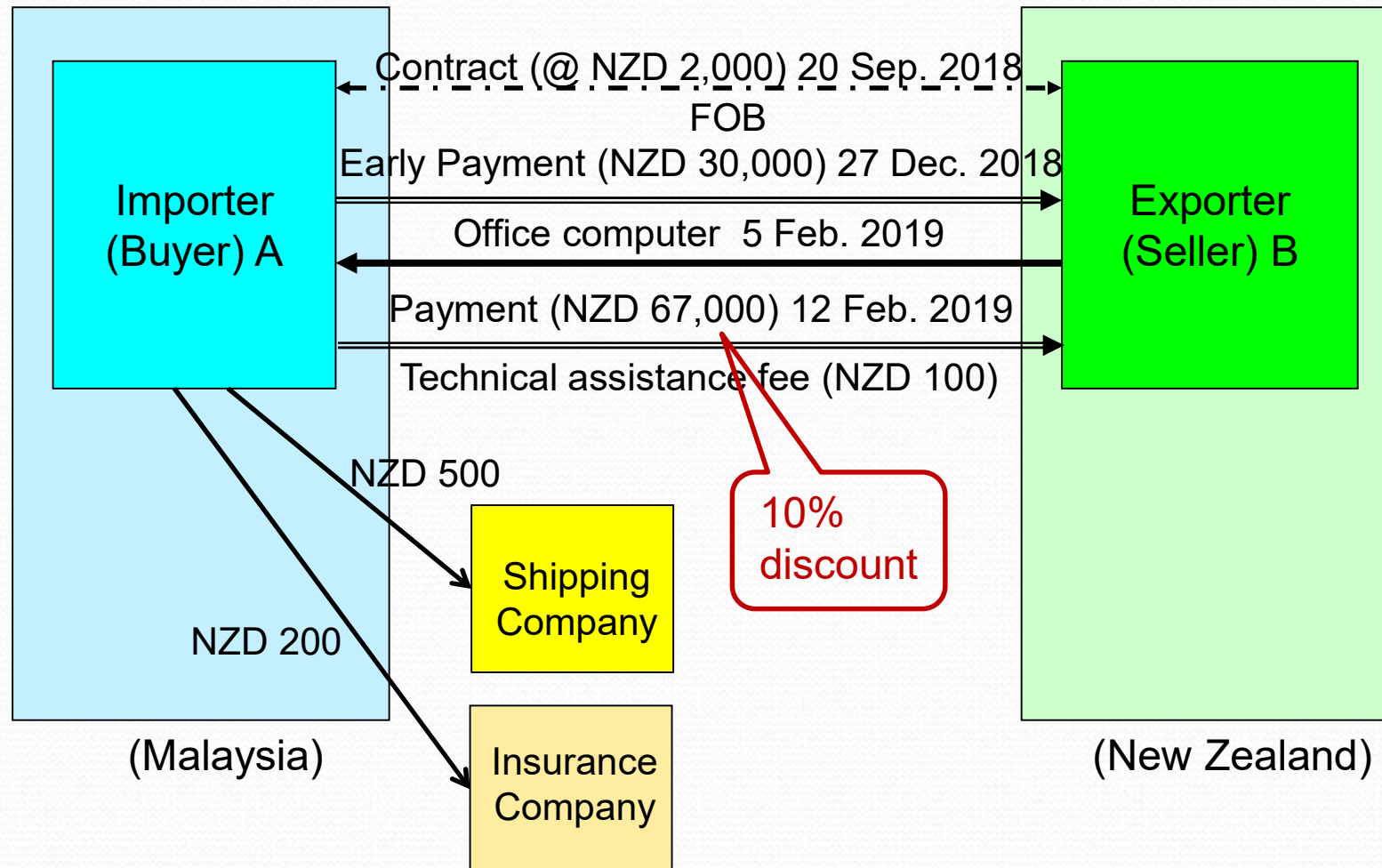
Case Study of the Transaction Value Method



**Shigeaki Katsu / Takahiro Mizuguchi
National Valuation Center, Tokyo Customs
Ministry of Finance, Japan**



Case study 1



How do you determine the customs value of the office computer?

Case study 1

Note to Article 1, Price Actually Paid or Payable

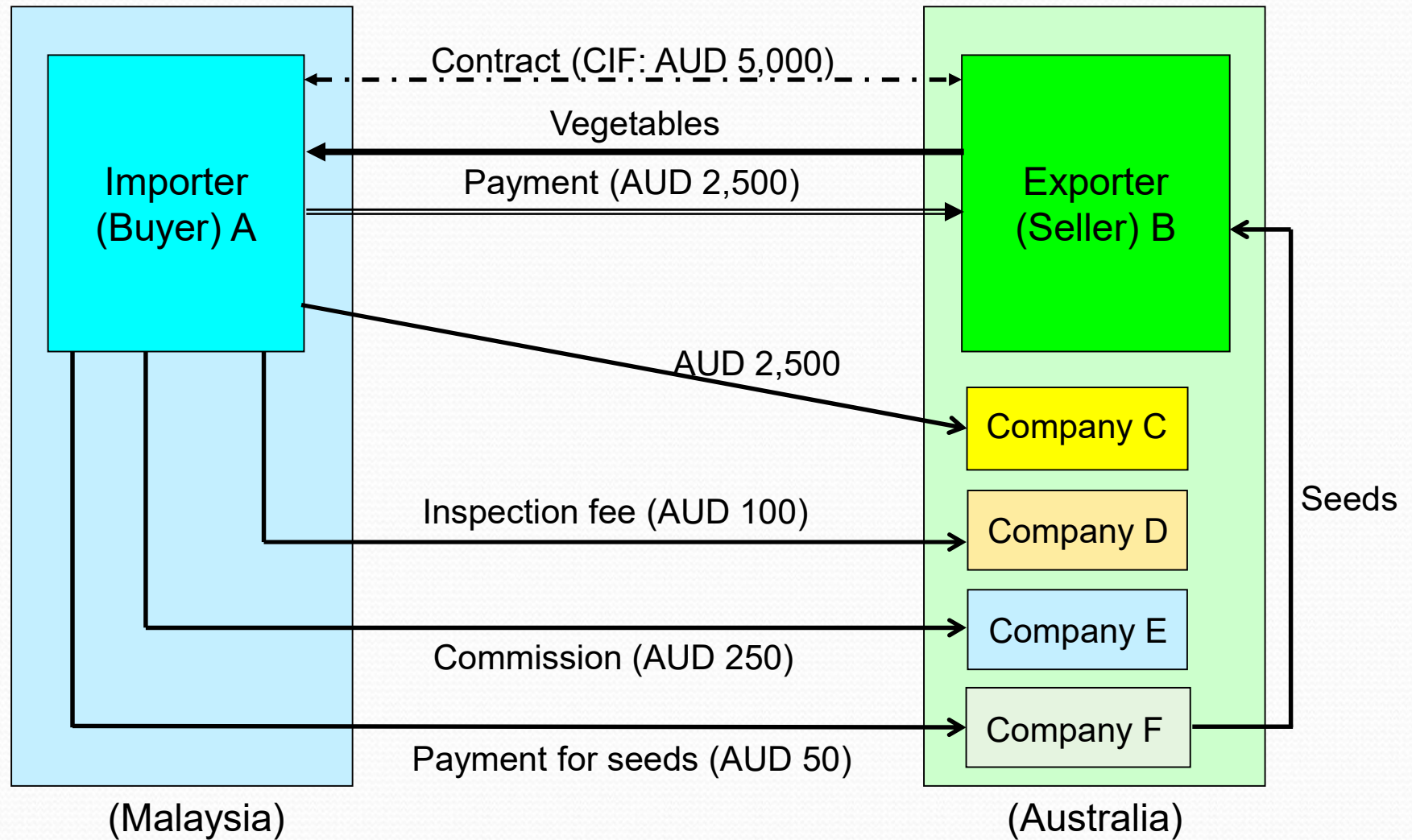
3. The customs value shall not include the following charges or costs, provided that they are distinguished from the price actually paid or payable for the imported goods:
 - (a) charges for construction, erection, assembly, maintenance or technical assistance, undertaken after importation on imported goods such as industrial plant, machinery or equipment

Case study 1

- (a) According to the sales contract, the contract price of the imported computer is NZD 100,000 (@2,000 × 50 units).
- (b) As Importer A paid 30% of the contract price (NZD 30,000) by the end of December 2018, Importer A could get 10% discount of NZD 30,000 (NZD 3,000) in accordance with the sales contract. The early payment discount is a normal commercial practice and can be accepted when determining the customs value.
- (c) The ocean freight (NZD 500) should be included in the customs value under Article 8.2(a).
- (d) The insurance cost (NZD 200) should be included in the customs value under Article 8.2 (c).
- (e) The technical assistance fee for the work undertaken after importation (NZD 100) should not be included in the customs value according to the Note to Article 1, PAPP 3(a).

Therefore, the customs value of 50 units of the computer is NZD 97,700 (30,000 + (70,000–3,000) + 500 + 200).

Case study 2



How do you determine the customs value of the vegetables?

Case study 2

Note to Article 1, Price Actually Paid or Payable

1. The price actually paid or payable is the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods. Payment may be made directly or indirectly. An example of an indirect payment would be the settlement by the buyer, whether in whole or in part, of a debt owed by the seller.....

Case study 2

Note to Article 1, Price Actually Paid or Payable

2. Activities undertaken by the buyer on the buyer's own account, other than those for which an adjustment is provided in Article 8, are not considered to be an indirect payment to the seller, even though they might be regarded as of benefit to the seller. The costs of such activities shall not, therefore, be added to the price actually paid or payable in determining the customs value.

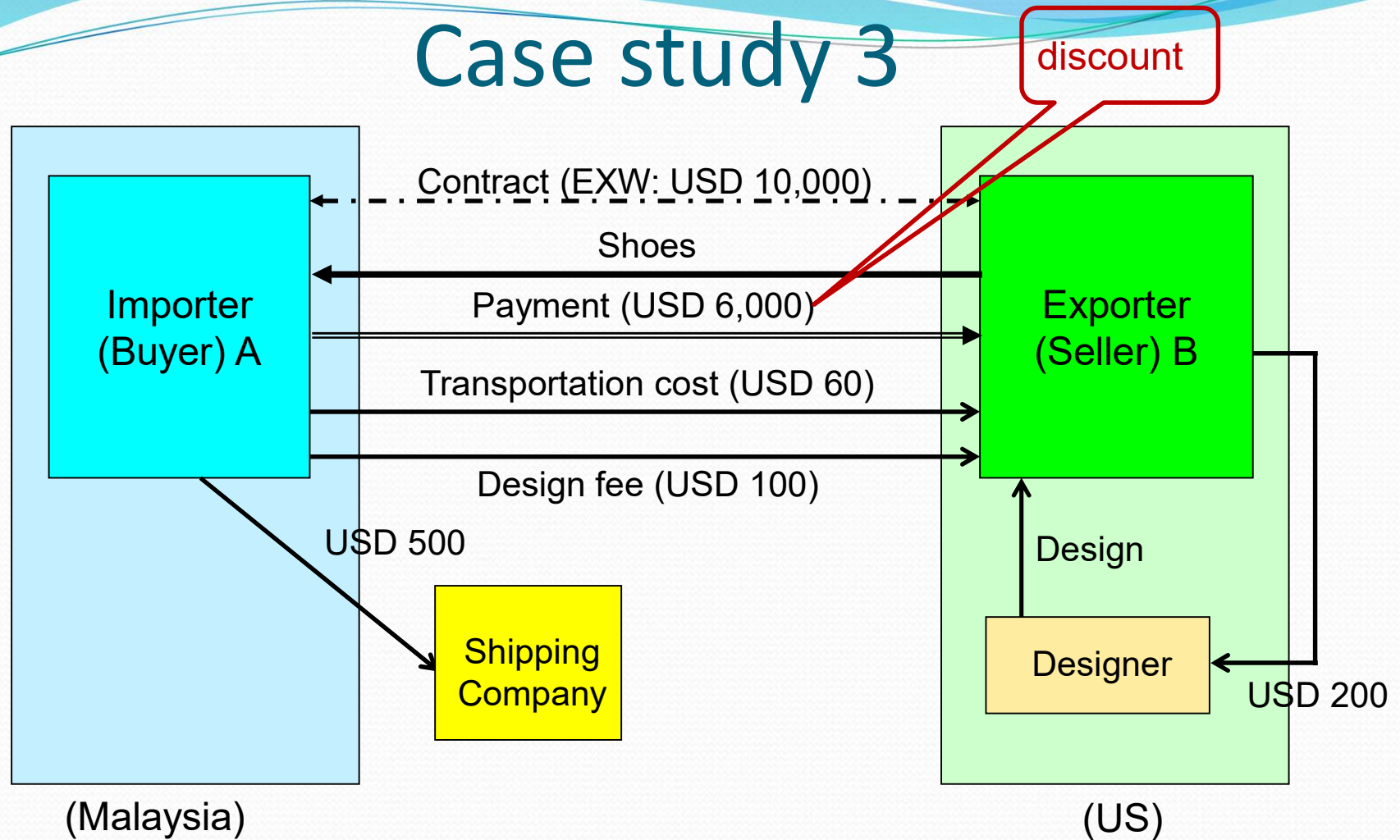
Case study 2

- (a) According to the Note to Article 1, PAPP 1, PAPP is the total payment made by the buyer to or for the benefit of the seller for the imported goods and may include an indirect payment. Therefore, PAPP in this case is AUD 2,500 paid by Importer A to Exporter B and AUD 2,500 paid by Importer A to Company C for the benefit of Exporter B (a total of AUD 5,000).
- (b) The inspection fee (AUD 100) should not be included in the customs value according to the Note to Article 1, PAPP 2 because the inspection was undertaken by the buyer on the buyer's own account
- (c) Company E is regarded as a selling agent and the commission (AUD 250) should be included in the customs value under Article 8.1(a)(i)
- (d) The vegetable seeds supplied indirectly by the buyer free of charge were used for the production of the imported goods and the cost of assists (AUD 50) should be included in the customs value under Article 8.1 (b)(iii).

Therefore, the customs value of the vegetables is AUD 5,300 (2,500+2,500+250+50).

Reference: Explanatory note 2.1 (Commissions and brokerage in the context of Article 8 of the Agreement)

Case study 3



How do you determine the customs value of the shoes?

Case study 3

Article 8

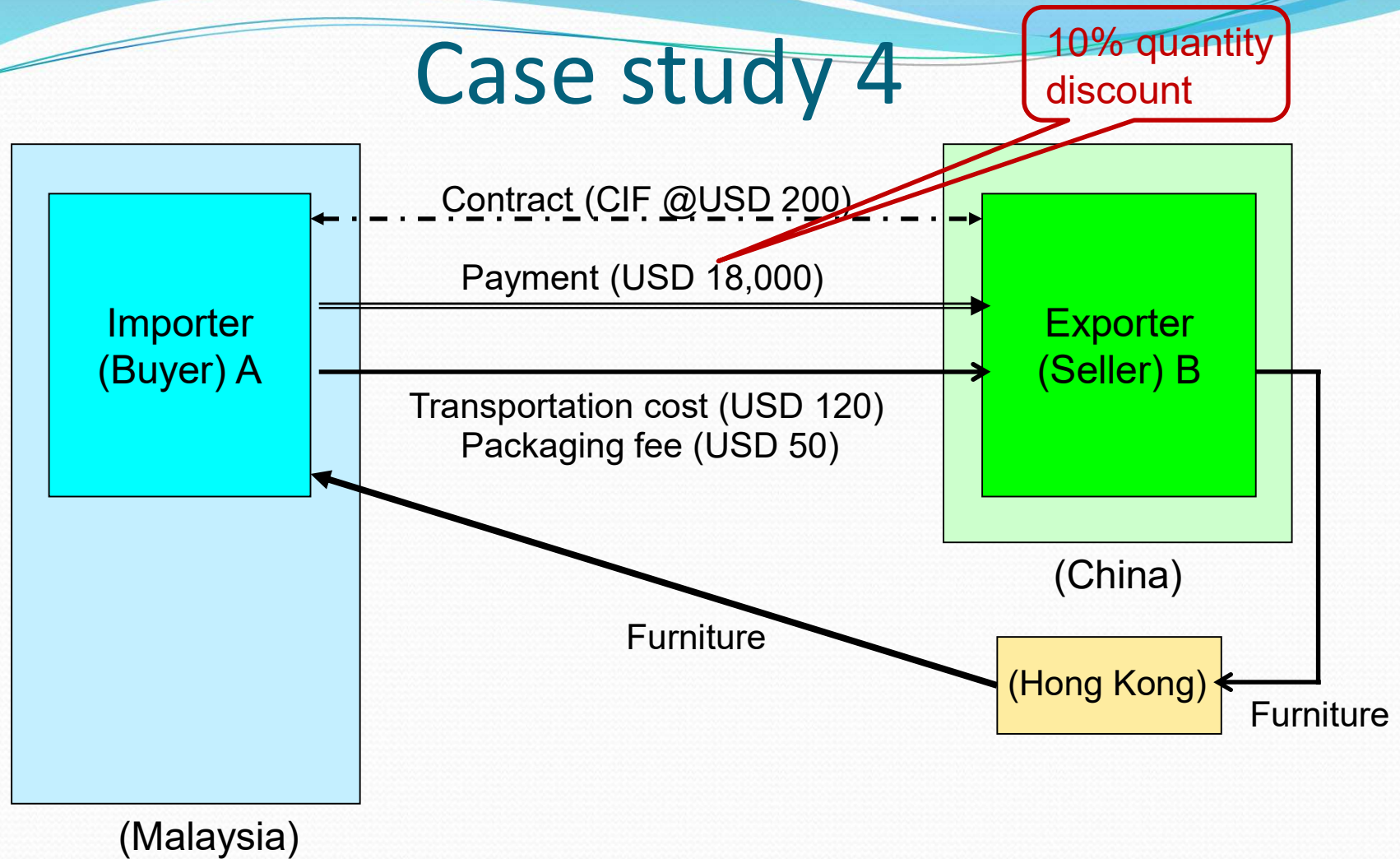
1. In determining the customs value under the provisions of Article 1, there shall be added to the price actually paid or payable for the imported goods:
 - (b) the value, apportioned as appropriate, of the following goods and services where supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods, to the extent that such value has not been included in the price actually paid or payable:
 - (iv) engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in the country of importation and necessary for the production of the imported goods;

Case study 3

- (a) USD 2 discount per pair cannot be accepted because the discount is not related to this importation. Therefore, the PAPP of 2,000 pairs of shoes is USD 10,000.
- (b) The ocean freight (USD 500) should be included in the customs value under Article 8.2(a).
- (c) Importer A stated that he did not insure the goods and if there is evidence to support this, it is not necessary to include the insurance cost in the customs value under Article 8.2(c).
- (d) The domestic transportation cost in the country of exportation (US 60) should also be included in the customs value under Article 8.2(a).
- (e) The design fee supplied by the buyer (USD 100) should be included in the customs value and the fee borne by the seller (USD 100) should not be included under Article 8.1(b)(iv).

Therefore, the customs value of 2,000 pairs of shoes is USD 10,660 (10,000+500+60+100).

Case study 4



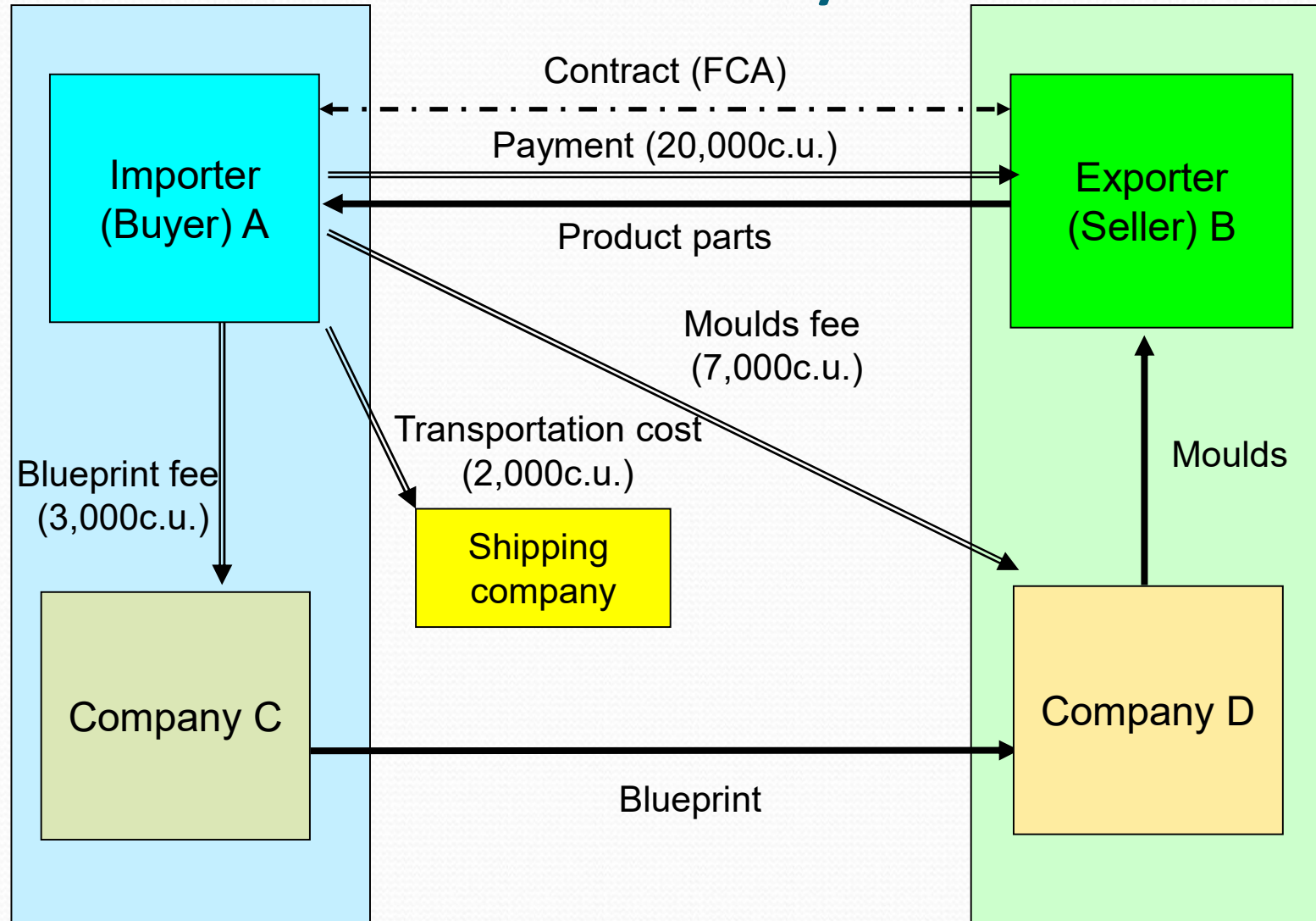
How do you determine the customs value of the furniture?

Case study 4

- (a) 10% of the quantity discount is a normal commercial practice and can be accepted when determining the customs value.
- (b) The additional transportation cost incurred by the buyer in the country of exportation (US 120) should be included in the customs value under Article 8.2(a).
- (c) The additional packaging fee incurred by the buyer (USD 50) should be included in the customs value under Article 8.1(a)(iii).

Therefore, the customs value of 100 sets of furniture is USD 18,170 (18,000+120+50).

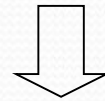
Case study 5



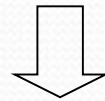
How do you determine the customs value of the furniture?

Case study 5

Importer A supplies moulds to Exporter B free of charge.



Exporter B made product parts with using the moulds.



The moulds come under Article 8.1(b)(ii).

Case study 5

Commentary 24.1

The question is whether the value of the assists supplied for production of the imported goods includes the cost of other goods or services as part of the “given cost.”

For determining the value of assists, Paragraph 2 of the Interpretative Note to Article 8.1(b)(ii) provides that:

- if the importer/buyer acquires the element from a seller not related to the importer/buyer at a given cost, the value of the element is that cost; or,
- if the element was produced by the importer/buyer or by a person related to the importer/buyer, its value would be the cost of producing it.

Case study 5

Commentary 24.1

6. Consequently, where the assists are produced by the importer, or by a person related to the importer, their value would be calculated by including all elements used to produce them.

In the same way, it is understood that the term “given cost”, referenced in the above mentioned Interpretative Note, does not only include the price paid to the seller for the assists of the imported goods but also the cost of other goods or services supplied by the importer/buyer to that seller to produce the assists.

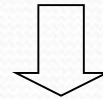
7. In view of the above, the term “given cost” in the Interpretative Note to Article 8.1(b)(ii) would include all the costs incurred by the importer in respect of acquiring the assist.

Case study 5

Condition

The government provides that the costs of transport should be added to PAPP.

Conclusion



Price actually paid or payable: 20,000 c.u.

Assist (moulds cost including blueprint) : 10,000 c.u.

Cost of transport: 2,000 c.u.

Customs value of imported goods: 32,000 c.u.